Kent County CMH Authority (a component unit of the County of Kent, Michigan)

Financial Statements and Supplemental Material Years Ended September 30, 2007 and 2006 Michigan Department of Treasury 496 (02/06)

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Loca	ıl Unit	of Go	vemment Type	e	4,4		Local Unit Na	me		County	
	Coun	ty	City	□Twp	□Village	⊠Other	Kent Cour	nty CMH Authority		Kent County	
	al Yea				Opinion Date			Date Audit Report Submitte	d to State		
9/3	30/07				February 2	25, 2008 		March 2008	_		
We a	ffirm	that	:								
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					terial, "no" resp ments and rec			osed in the financial statem	nents, inc	luding the notes, or in the	
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2.	\boxtimes							unit's unreserved fund bala budget for expenditures.	ances/unr	restricted net assets	
3.	\times		The local	unit is in	compliance wit	th the Unifor	m Chart of	Accounts issued by the De	partment	of Treasury.	
4.	×		The local	unit has a	adopted a budg	get for all re	quired funds	· ·			
5.	\times		A public h	earing on	the budget wa	as held in a	ccordance w	rith State statute.			
6.	X				not violated the issued by the L				Emerge	ncy Municipal Loan Act, or	
7.	×		The local	unit has r	not been deling	uent in dist	ributing tax r	evenues that were collecte	ed for and	other taxing unit.	
8.	×		The local	unit only	holds deposits	/investment	s that compl	y with statutory requiremen	nts.		
9.	×							that came to our attention ed (see Appendix H of Bu		ed in the <i>Bulletin for</i>	
10.	X		that have	not been	previously con	nmunicated	to the Local			during the course of our audit). If there is such activity that has	
11.	X		The local	unit is fre	e of repeated of	comments f	rom previous	s years.			
12.	X		The audit	opinion is	UNQUALIFIE	D.					
13.	X				complied with Congressions (G		GASB 34 as	s modified by MCGAA Stat	tement #1	7 and other generally	
14.	X		The board	or counc	cil approves all	invoices pr	ior to payme	nt as required by charter of	or statute.		
15.	X		To our kno	owledge,	bank reconcilia	ations that v	vere reviewe	d were performed timely.			
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			ccountant (Fire	m Name)				Telephone Number			
	t Addr		an, LLP					616-774-7000 City	State	Zip	
			Avenue, N	1W				Grand Rapids	MI	Zip 49503	
			Signature			Prin	ited Name		License		

Bruce Kroll

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Contents

Independent Auditors' Report	3-4
Management's Discussion and Analysis	5-8
Financial Statements Statements of Net Assets Statements of Revenues, Expenses and Changes in Net Assets Statements of Cash Flows	9 10 11
Notes to Financial Statements	12-21
Required Supplemental Material Analysis of Funding Progress - Employee Retirement System	23
Supplemental Material Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	25-26
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	27-28
Schedule of Expenditures of Federal Awards	29
Note to Schedule of Expenditures of Federal Awards	30
Summary of Auditors' Results and Schedule of Findings and Questioned Costs	31
Schedule of Expenses	32-38
Summary of Budgeted, Reported and Audited Amounts - Substance Abuse Coordinating Agency, Schedule A	39
Schedule of Expenses and Funding by Program - Substance Abuse Coordinating Agency, Schedule B	40



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Independent Auditors' Report

Kent County CMH Authority Grand Rapids, Michigan

We have audited the accompanying financial statements of Kent County CMH Authority (the Authority), a proprietary fund component unit of the County of Kent, Michigan, as of and for the years ended September 30, 2007 and 2006, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2007 and 2006, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6, the Authority changed its method of accounting for its other postemployment benefits as of October 1, 2006.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Management's Discussion and Analysis and the Analysis of Funding Progress - Employee Retirement System are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying supplemental material listed in the table of contents, as well as the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Grand Rapids, Michigan

BDO Seidman, LLP

February 25, 2008

Management's Discussion and Analysis

This section of Kent County CMH Authority's annual financial report presents management's discussion and analysis of activities and financial performance during the fiscal year ended September 30, 2007. Please review it in conjunction with the Independent Auditor's Report, the Financial Statements, the Notes to the Financial Statements, and the Supplemental Material presented in this financial report.

Kent County CMH Authority is doing business as Network180, and is an Authority established by the State of Michigan and the County of Kent. The mission of the Authority is to shape our community in ways that support the full potential and valued place of each person, especially those at risk of or impacted by developmental disability, emotional disorder, mental illness, and substance use disorder.

The Kent County Board of Commission appoints the board members governing the Authority. The County also provides annual financial support to the Authority, and the Authority is considered a component unit for reporting purposes in the audit report of the County of Kent.

This section contains information on the basic financial statements of the Authority together with any required explanation that would be essential to acquire a full understanding of the data contained therein.

FINANCIAL POSITION SUMMARY

Analysis of assets, liabilities and net assets over time serves as a useful indicator of the Authority's financial position. The Authority's assets exceed liabilities by \$11,294,624 at September 30, 2007. This represents a \$136,312 decrease from September 30, 2006. The Authority's assets exceeded liabilities by \$11,430,936 at September 30, 2006 which is \$536,400 higher than at September 30, 2005.

A condensed summary of the Authority's statement of net assets is shown below:

September 30,	2007	2006	2005
Assets: Current assets Net capital assets	\$ 29,322,439 \$ 1,176,170	27,009,629 1,256,850	\$ 23,645,889 206,834
Total Assets	\$ 30,498,609 \$	28,266,479	\$ 23,852,723
Liabilities: Current liabilities	\$ 19,203,985 \$	16,835,543	\$ 12,958,187
Net Assets: Invested in capital assets Restricted for a capital project Unrestricted	1,176,170 224,334 9,894,120	1,256,850 - 10,174,086	206,834 - 10,687,702
Total Net Assets	11,294,624	11,430,936	10,894,536
Total Liabilities and Net Assets	\$ 30,498,609 \$	28,266,479	\$ 23,852,723

The amount of net assets invested in capital assets is \$1,176,170 or 10.4% of net assets. Net assets restricted for a capital project is \$224,334 or 2.0% of net assets. Net assets designated for risk fund is \$1,496,423 or 13.2% of net assets. Undesignated, unrestricted net assets of \$8,397,697 represent 74.4% of total net assets.

REVENUES

A summary of operating revenues for the fiscal years ended September 30, 2007 and 2006, and the amount and percentage of change in relation to the prior year is as follows:

		2007 Amount	Percent of Total	Increase (Decrease) from 2006	Percent Increase (Decrease)
Operating Revenues: Medicaid funds State general funds Federal and State grants Waiver programs General revenue	\$	76,902,036 19,293,909 5,501,654 2,874,245 14,463	73.5% 18.4 5.3 2.8	\$ 5,258,197 (1,477,281) 454,825 (13,002) 3,043	9.0
Total Operating Revenues	\$	104,586,307	100.0%	\$ 4,225,782	4.2%
	<u>.</u> .	2006 Amount	Percent of Total	Increase (Decrease) from 2005	Percent Increase (Decrease)
Operating Revenues: Medicaid funds State general funds Federal and State grants Waiver programs General revenue	\$	71,643,839 20,771,190 5,046,829 2,887,247 	71.4% 20.7 5.0 2.9	\$ 5,843,282 1,511,690 701,096 65,037 (17,617)	8.9% 7.8 16.1 2.3 (60.1)
Total Operating Revenues	\$	100,360,525	100.0%	\$ 8,103,488	8.8%

EXPENSES

A summary of operating expenses for the fiscal years ended September 30, 2007 and 2006, and the amount and percentage of change in relation to the prior year is as follows:

		2007 Amount	Percent of Total	Increase (Decrease) from 2006	Percent Increase (Decrease)
Operating Expenses:					
Developmental disabilities division	\$	42,011,269	38.7%	\$ 3,725,132	9.7%
Adults with mental illness division		33,437,911	30.8	(1,734,854)	(4.9)
Substance use disorder division		9,131,852	8.4	606,339	`7.1
Children and families division		7,290,852	6.7	518,288	7.7
Other programs		11,739,902	10.8	1,933,791	19.7
Management and general		5,031,869	4.6	360,282	7.7
Total Operating Expenses	\$_	108,643,655	100.0%	\$ 5,408,978	5.2%

	2006 Amount	Percent of Total	Increas (Decreas from 20	se) Increase
Operating Expenses: Developmental disabilities division Adults with mental illness division Substance use disorder division Children and families division Other programs Management and general	\$ 38,286,137 35,172,765 8,525,513 6,772,564 9,806,111 4,671,587	34.0 8.3 6.6 9.5	2,925 1,178 823 4,131	,253 16.0 ,592 13.8
Total Operating Expenses	\$ 103,234,677	100.0%	\$ 9,937	566 10.7%
Fiscal Year Ended September 30,	20	07	2006	2005
Operating loss Non-operating revenue Kent County transfer	\$ (4,057,3 1,758,6 2,162,3	50	(2,874,152) 1,248,166 2,162,386	\$ (1,040,074) 672,379 2,162,386
Increase (Decrease) in Net Assets	(136,3	12)	536,400	1,794,691
Net Assets, beginning of year	11,430,9	36	10,894,536	9,099,845
Net Assets, end of year	\$ 11,2 <u>94</u> ,6	24 \$	11,430,936	\$ 10,894,536

FINANCIAL OPERATIONS HIGHLIGHTS

- Total operating revenues increased by 4.2% or \$4,225,782 from \$100,360,525 to \$104,586,307 in 2007 and by 8.8% or \$8,103,488 from \$92,257,037 to \$100,360,525 in 2006 principally due to the increases in Medicaid funding for both years.
- The Authority began a building fundraising campaign during 2007 to raise funds for a major addition
 to the existing facility. Contributions received toward this project are included in non-operating
 revenue. The net assets related to these contributions have been separately identified as restricted
 net assets for a capital project.
- Operating expenses increased by 5.2% or \$5,408,978 from \$103,234,677 to \$108,643,655 in 2007 principally due to increased utilization in the developmental disabilities division. Operating expenses increased by 10.7% or \$9,937,566 from \$93,297,111 to \$103,234,677 in 2006 principally due to increased utilization in the adults with mental illness and substance use disorder divisions and an increase in the quality assurance assessment program.
- Non-operating revenue increased by 40.9% or \$510,484 from \$1,248,166 to \$1,758,650 in 2007.
 Two things caused this: better market performance of investments resulting in an increase in investment income; and contributions received related to the capital campaign. Non-operating revenue increased by 85.6% or \$575,787 from \$672,379 to \$1,248,166 in 2006 principally due to additional investment in certificates of deposit and better market performance of investments resulting in an increase in investment income.
- The total decrease in net assets in 2007 was \$136,312. The Authority board approved funding various programs and expenses during the year through the use of fund balance. These programs included substance abuse prevention needs assessment, general community needs assessment, vision to end homelessness, and assertive adolescent and family treatment. The total amount approved for these programs was \$460,000. The total increase in net assets in 2006 was \$536,400. The Authority board approved funding various programs and expenses during the year through the

use of fund balance. These programs included a public inebriates program, substance use disorder program, other service related programs, and depreciation expense. The total amount approved for these programs was \$561,850.

• The Authority's contract reconciliation with the State of Michigan identified \$3,844,839 of Medicaid savings, and State general fund carry forward of \$518,860, both of which are available for fiscal year 2007/2008. For 2006, the Authority's contract reconciliation with the State of Michigan identified \$2,220,072 of Medicaid savings, and State general fund carry forward of \$840,664, both of which are available for fiscal year 2006/2007. The Authority lapsed \$234,333 of State general funds back to the State of Michigan.

SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash for the past two years:

Fiscal Year Ended September 30,	2007	2006	2005
Net cash (used in) provided by operating activities Net cash provided by non-capital financing activity Net cash provided by (used in) capital and related	\$ (1,718,845) 2,162,386	\$ 1,771,408 2,162,386	\$ 1,130,757 2,124,886
financing activities Net cash provided by (used in) investing activities	104,126 526,367	(1,193,601) (9,593,001)	(48,107) (6,827,621)
Increase (Decrease) in Cash	1,074,034	(6,852,808)	(3,620,085)
Cash, beginning of year	6,827,808	13,680,616	17,300,701
Cash, end of year	\$ 7,901,842	\$ 6,827,808	\$ 13,680,616

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Government Accounting Standards Board (GASB). It also follows, where appropriate, statements and interpretations by the Financial Accounting Standards Board (FASB). Revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized (except land and construction in progress) and are depreciated over their useful lives. See the notes to the financial statements for a summary of the board's significant accounting policies.

Respectfully submitted,

Thomas Digo

Thomas Elzinga

Deputy Director of Administrative Services

Robin DeYoung Accounting Manager

Bobin Deyoung

8

Statements of Net Assets

September 30,		2006
Current Assets		
Cash and cash equivalents (Notes 2 and 3)	\$ 7,901,842	\$ 6,827,808
Investments (Note 3)	19,355,407	18,341,167
Accounts receivable	857,244	794,567
Due from State of Michigan	667,504	575,467
Due from Kent County	404,475	352,362
Prepaids and other current assets	135,967	118,258
Total Current Assets	29,322,439	27,009,629
Capital Assets (Note 4)		
Land	150,000	150,000
Depreciable, net of accumulated depreciation	966,801	1,106,850
Construction in progress	59,369	
Total Capital Assets	1,176,170	1,256,850
Total Assets	\$ 30,498,609	\$ 28,266,479
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 13,019,726	\$ 10,378,111
Due to State of Michigan	884,640	2,618,052
Due to Kent County	283,256	283,256
Deferred revenue	5,016,363	3,556,124
Total Current Liabilities	19,203,985	16,835,543
Commitments (Notes 6, 7, 9 and 10)		
Net Assets		
Invested in capital assets	1,176,170	1,256,850
Restricted for a capital project	224,334	-
Unrestricted	9,894,120	10,174,086
Unrestricted		
Total Net Assets	11,294,624	11,430,936

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Assets

Year ended September 30,	2007	2006
Operating Revenues		
Medicaid/PEPM	\$ 76,902,037	\$ 71,643,839
State general fund	19,293,909	20,771,190
Other program revenue	5,501,654	5,046,829
Adult benefit waiver	1,947,663	1,924,209
Children's model waiver	926,581	963,038
Contributions	14,463	11,420
Total Operating Revenues	104,586,307	100,360,525
Operating Expenses		
Program services:		
Developmental disabilities division	42,011,269	37,323,098
Adults with mental illness division	33,437,911	35,172,765
Substance use disorder division	9,131,852	8,525,513
Children and families division	7,290,852	6,772,564
Local match/quality assurance assessment program	5,639,204	5,359,791
Access center	3,730,810	3,397,187
Children's model waiver	926,581	963,039
Other Federal and State grants	1,226,406	848,093
Training	216,901	201,040
Administration	5,031,869	4,671,587
Total Operating Expenses	108,643,655	103,234,677
Operating Loss	(4,057,348)	(2,874,152)
Non-Operating Revenue		
Capital campaign contributions	218,043	-
Investment income	1,540,607	1,248,166
Total Non-Operating Revenue	1,758,650	1,248,166
Transfers From Kent County	2,162,386	2,162,386
Increase (Decrease) in Net Assets	(136,312)	536,400
Net Assets, beginning of year	11,430,936	10,894,536
Net Assets, end of year	\$ 11,294,624	\$ 11,430,936

See accompanying notes to financial statements.

Statements of Cash Flows

Year ended September 30,		2007		2006
Operating Activities				
Cash received from providing services	s	104,106,307	\$	104,139,100
Cash paid to suppliers		(99,622,271)	Ψ	(96,540,647)
Cash paid to suppliers Cash paid to employees		(6,202,881)		(5,827,045)
Cash Provided by (Used in) Operating Activities		(1,718,845)		1,771,408
Non-Capital Financing Activity				
Payments from Kent County		2,162,386		2,162,386
Capital Financing Activities				
Receipt of capital campaign contributions		218,043		_
Purchase of capital assets		(113,917)		(1,193,601)
Cash Provided by (Used in) Capital Financing Activities		104,126		(1,193,601)
Investing Activities				
Interest income		1,540,607		1,248,166
Purchase of certificate of deposits		(1,014,240)		(10,841,167)
Cash Provided by (Used in) Investing Activities		526,367		(9,593,001)
Increase (Decrease) in Cash and Cash Equivalents		1,074,034		(6,852,808)
Cash and Cash Equivalents, beginning of year		6,827,808		13,680,616
Cash and Cash Equivalents, end of year	\$	7,901,842	\$	6,827,808
Reconciliation of Operating Loss to Net Cash				
Provided by (Used in) Operating Activities				
Operating loss	\$	(4,057,348)	\$	(2,874,152)
Adjustments to reconcile operating loss to net cash				
provided by (used in) operating activities:				-
Depreciation		194,597		143,585
(Increase) decrease in:				
Accounts receivable		(114,790)		(137,371)
Due from State of Michigan		(92,037)		663,968
Prepaids and other current assets		(17,709)		98,022
(Decrease) Increase in:				
Accounts payable and accruals		4,101,854		2,989,080
Due to State of Michigan		(1,733,412)		888,276
Net Cash Provided by (Used in) Operating Activities	\$	(1,718,845)	\$	1,771,408

See accompanying notes to financial statements.

Notes to Financial Statements

1. Nature of Organization

Kent County CMH Authority (the Authority) was created by the County of Kent, Michigan Board of Commission, to operate, control, and manage an integrated behavioral healthcare system in order to serve Kent County (the County). The Authority does business as Network180. The Authority is governed by a community mental health services board, which is appointed by the County of Kent Board of Commission. The County also provides financial support annually to the Authority. Accordingly, the Authority is considered to be a component unit of the County and is discretely presented in the financial statements of the County.

2. Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared using proprietary fund accounting. Revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Until November 30, 1989, the Authority followed all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. After November 30, 1989, the Authority elected to apply only GASB pronouncements.

Revenues from premiums, state grants, client service, and federal grants are reported as operating revenues. Transactions that are capital, financing, or investing related and contributions are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses.

Cash and Cash Equivalents

Cash is on deposit in the County's Pooled Cash and Investment System (Money Max). Interest income earned is included in the pooled funds. Only the Authority's portion of this pool is reported on the balance sheet. Additional cash and cash equivalents are held at commercial banks.

Notes to Financial Statements

Receivables and Payables

Accounts receivable, representing outstanding balances on charges for services, are considered fully collectible.

Transactions between the Authority and various departments of the State of Michigan that are representative of service provider/purchaser and borrowing arrangements outstanding at year-end are reported as "due from/to State of Michigan."

Transactions between the Authority and provider agencies that represent the differences outstanding at year-end between amounts advanced to agencies and qualifying expenditures are included in accounts receivable/payable and accruals.

Capital Assets

Individual capital assets whose cost exceeds \$5,000 are capitalized and recorded at cost. Routine maintenance and repairs are charged to operations, as incurred. Upon sale or retirement, the related cost and accumulated depreciation are removed with the resulting gain or loss reflected in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3-10 years.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets is the Authority's investment in capital assets, net of accumulated depreciation.

Net assets are reported as restricted when there are limitations externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Claims Liability

Under the State of Michigan's Managed Care Specialty Services Program, the Authority is responsible for processing and paying all claims related to required services provided. The cost of these services includes estimates of payments to be made on claims reported and estimates of services rendered but not reported to the Authority as of the balance sheet date.

Notes to Financial Statements

Self-Insurance Plans

The Authority participates in a self-insurance program for dental benefits. In 2007, the Authority set up a health reimbursement arrangement (HRA) to provide additional benefits for outpatient mental health and substance abuse treatment for employees and dependents covered under an Authority health insurance plan. Benefit Administration is outsourced. Claims are submitted directly to the administrator and payments are processed weekly. Total expense charged to operations for costs incurred for the years ended September 30, 2007 and 2006 amounted to \$73,500 and \$72,300, respectively.

Compensated Absences

Employees are granted paid time off leave in varying amounts based on length of service. Employees may not accumulate over 37½ days of paid time off in any one calendar year. Upon termination, employees are paid for unused paid time off at their current rates. It is the Authority's policy to recognize the cost of paid time off at the time the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications :

Certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007 with no effect to the operating loss.

3. Cash Deposits and Investments

Investment Policy

The Authority has a Board policy on investments. The purpose of the policy is to safeguard funds on behalf of the Authority, to assure availability of operating and capital funds when needed, and to preserve capital while providing the highest investment return with maximum security.

Notes to Financial Statements

The investment policy applies to all cash and investments owned by the Authority.

The primary objective of investment activities, in priority order, are safety, diversification, liquidity and return on investment. Standards of care that are applied to the investment program include safekeeping, custody, prudence, ethics and conflicts of interest.

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan and who are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. At September 30, 2007 and 2006 the bank balances were \$24,501,226 and \$22,914,702, respectively, of which \$24,301,226 and \$22,714,702 were exposed to custodial credit risk since they were uninsured and uncollateralized. The Authority's investment policy mitigates custodial credit risk related to deposits by limiting the types of financial entities where it places deposits.

Investments

State statutes and Board resolutions authorize the Authority to invest in:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.
- United States government or federal agency obligation repurchase agreements.
- Banker's acceptances of United States banks.
- Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating agency.

Notes to Financial Statements

- Obligations described above if purchased through an inter-local agreement under the urban cooperation act of 1967.
- Investment pools organized under the surplus funds investment pool act of 1982.
- Investment pools organized under the local government investment pool act of 1985.

At September 30, 2007 and 2006, the Authority had \$4,132,205 and \$3,927,905, respectively, in the Kent County investment pool, which had a maturity of less than one year and is classified as cash and cash equivalents in the statements of net assets.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates could adversely affect the value of a deposit or investment. The Authority's investment policy minimizes interest rate risk by structuring the investment portfolio so that security maturity dates provide cash to meet ongoing operating requirements, by varying security maturity dates and by limiting the average maturity of the portfolio.

Custodial Credit Risk Related to Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy mitigates custodial credit risk related to investments by limiting the types of financial entities with which it invests.

Investments in the Kent County investment pool are categorized in the County's financial statements to give an indication of the level of risk assumed by Kent County at year end. It is not feasible to allocate the level of risk to the various funds and component units of the County. Accordingly, the Authority's investments are not categorized in this report. The Authority had no other investments subject to custodial credit risk at September 30, 2007 and 2006.

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The Authority does not have an investment policy that limits credit risk.

Notes to Financial Statements

At September 30, 2007 and 2006, the Authority's investment in the Kent County investment pool was not rated and its credit exposure as a percentage of total investments was 100%.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer.

The Authority's investment policy states that with the exception of United States Treasury Securities and authorized investment pools, no more than 50% of the total investment portfolio shall be invested in a single security type or with a single financial institution. The Authority does not have an investment policy that limits the amount that may be invested in any one issuer. Excluding pooled investments, no single investment exceeded 5% of total investments at September 30, 2007 or 2006.

4. Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance,					Balance,
	October 1,				Sept	ember 30,
	2006		Increase	Decrease		2007
Capital assets						
Land	\$ 150,000	\$	-	\$ -	\$	150,000
Land Improvements	110,000		-	-		110,000
Building	792,288		-	-		792,288
Equipment and furniture	943,689		54,548	(53,120)		945,117
Construction in progress			59,369			59,369
Total at historical cost	1,995,977		113,917	(53,120)		2,056,774
Less accumulated depreciation						
Land improvements	11,000		22,000	-		33,000
Building	39,614		79,229	_		118,843
Equipment and furniture	688,513		93,368	(53,120)		728,761
Total accumulated depreciation	739,127		194,597	(53,120)		880,604
Total Invested in Capital Assets, net	\$1,256,850	\$_	(80,680)	\$	\$	1,176,170

Notes to Financial Statements

Depreciation expense of \$83,814 and \$110,783 is recorded in administration and access center expenses, respectively. The estimated cost to complete construction in process is \$6,350,000.

5. Restricted Net Assets

Restricted net assets for capital projects are made up of contributions received or receivable made with the understanding that the funds would be used toward construction of an addition to the facility.

6. Retirement Plans

Defined Benefit Pension Plan

Plan Description

The Authority's defined benefit pension plan provides retirement, disability and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee pension plan.

The Authority establishes and amends the benefit provisions of the participants in the plan. The plan may be obtained by writing the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The annual contribution requirements for the plan are actuarially determined by MERS. Under the Authority's plan, both the Authority and plan members are required to contribute. Contributions are calculated as a percentage of covered payroll. The Authority was required to contribute 4.96% and 3.35% to the plan for the years ended September 30, 2007 and 2006, respectively. The plan members were required to contribute 5.33% and 3.55% to the plan for the years ended September 30, 2007 and 2006, respectively. The required contributions were determined as part of the December 31, 2004 actuarial valuation, using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 4.5% per year.

Notes to Financial Statements

Annual Pension Cost

For the years ended September 30, 2007 and 2006, the Authority's annual pension cost was \$304,281 and \$196,866, respectively, and the actual amount contributed was \$300,679 and \$188,953, respectively.

Trend Information

Trend information consists of the following:

Fiscal Year Ended September 30,	Annual Required Contribution (ARC)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007 2006 2005	\$ 266,316 171,384	\$ 304,281 196,866 240,869	81.1% 72.7 80.9	\$ 57,442 53,840 45,927

Required supplementary material regarding the Plan is presented on page 22.

Other Postemployment Benefits

In addition to the pension benefits described above, the Authority provides postretirement health care insurance for employees who are eligible to retire under the
Authority's retirement plan, as long as the retiree is not covered by another employer's
health care plan or a health care plan offered by their spouse's employer. The Authority
pays \$200 per month towards the health care insurance premium for a retiree with 25
years of service. Retirees with less than 25 years of service receive a pro-rata credit
based on years of service in relation to 25 years. The plan is a single employer plan and
is self administered by the Authority. Stand-alone financial statements are not prepared
for the plan. At October 1, 2006, the Authority prospectively adopted Government
Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by
Employers for Postemployment Benefits Other Than Pensions.

The Authority establishes and amends the benefit provisions of the plan and the plan requires no contributions from its covered members. After September 30, 2007, the Authority's policy will be to contribute 100% of the annual required contribution. The

Notes to Financial Statements

2007 annual required contribution (ARC) was \$266,416, or \$2,422 per plan member. The entire ARC is recorded as a liability at September 30, 2007, as no contributions were made to the plan during 2007.

The annual required contribution was determined as part of the actuarial valuation as of September 30, 2007 using the projected unit credit actuarial cost method and a one year amortization method of the unfunded liability. The actuarial assumptions included (a) a discount rate of 8%; (b) turnover rates of 10-18%, dependent on age and years of service; and (c) benefits capped at \$200 per month. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and, therefore, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

7. Noncancelable Lease Agreements

The Authority has entered into noncancelable operating lease agreements on behalf of various agencies for the purpose of providing housing to the developmentally disabled.

Future minimum rental payments are as follows:

Year ending September 30,	
2008	\$190,594
2009	56,002
2010	36,300

The Authority paid rental expense under these lease agreements of \$204,465 and \$254,820 during 2007 and 2006, respectively.

8. Related Party Transactions

The County owns the land and the building in which the Authority conducts its operations. The Authority paid \$1 in rent to the County during both 2007 and 2006.

Notes to Financial Statements

9. Contingencies

The Authority provides mental health services primarily to residents of Kent County through agencies in the Kent County area. The Authority is funded primarily through contracts with the Michigan Department of Community Health, based on actual expenditures incurred. Final settlements of amounts received are subject to possible adjustments resulting from audits by the State of Michigan. Such adjustments are not expected to materially affect the financial position of the Authority.

10. Financing of Pending Managed Care Risk Loss Corridor

Effective October 1, 1998, the Authority began operating as a managed care provider to the State of Michigan. The Authority bears all costs up to 105% of the annual negotiated contract. The Authority and the State of Michigan share costs equally between 105% and 110% of the contract, resulting in the Authority bearing costs up to 107.5% of the contract. All costs above 110% are borne by the State of Michigan. The Authority has designated a portion of net assets and funded an amount to cover the risk exposure under the Medicaid managed specialty supports and services contract with the State of Michigan.

Required Supplemental Material

Analysis of Funding Progress - Employee Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2006	\$ 15,459,931	\$ 13,561,227	\$(1,898,704)	114.0%	\$ 5,893,828	(32.22)%
December 31, 2005	14,020,055	11,918,304	(2,101,751)	117.6	5,405,594	(38.88)
December 31, 2004	12,858,549	10,663,792	(2,194,757)	120.6	5,369,294	(40.88)

Supplemental Material



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Kent County CMH Authority Grand Rapids, Michigan

We have audited the financial statements of Kent County CMH Authority (the Authority), a proprietary fund component unit of the County of Kent, Michigan, as of and for the years ended September 30, 2007 and 2006, and have issued our report thereon dated February 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan February 25, 2008

BDO Seidman, LLP

26



99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Kent County CMH Authority Grand Rapids, Michigan

Compliance

We have audited the compliance of Kent County CMH Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and

grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan

BDD Seidman, LLP

February 25, 2008

Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

ederal Grantor ass-Through Grantor rogram Title	Federal CFDA Number	Federa Expenditure
J.S. Department of Health and Human Services		
Passed Through Michigan Department of Community Health:		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	\$ 39,86
Substance Abuse and Mental Health Services Grant	93.243	83,60
Child Care Consultation	93.575	83,71
State Children's Insurance Program: ABW MI Child	93.767 93.767	931,74 72,64
Medical Assistance Programs - OBRA	93.778	363,68
Block Grants for Community Mental Health Services: Respite Services Consumer Run Drop-In Program Enhancement COD: Integrated Dual Disorders Treatment Specialized Community Living Peer Support Specialists in EBP Supported Employment Pre-Booking Jail Diversion Community Resources Mental Health Training Substance Use Disorder Training CBT Training Anti-Stigma Education Multi-Systemic Therapy Teen Screen	93.958 93.958 93.958 93.958 93.958 93.958 93.958 93.958 93.958 93.958 93.958	65,40 12,00 69,05 75,14 24,30 49,88 9,00 19,52 27,75 74,47 75,00 57,12
Block Grants for Prevention and Treatment of Substance Abuse: Community Grant CA Administration Prevention	93.959 93.959 93.959	1,818,83 143,55 605,72
Passed Through Substance Abuse and Mental Health Services Administration (SAMHSA): Substance Abuse and Mental Health Services Grant Making Sobriety Attractive	93.243 93.276	407,77 103,22
Passed Through Spectrum Health: Strong Beginnings	93.926	77,09
otal Expenditures of Federal Awards		\$ 5,290,13

Note to Schedule of Expenditures of Federal Awards

Note 1

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

See accompanying independent auditors' report.

Summary of Auditors' Results and Schedule of Findings and Questioned Costs

	Section I - Summary of Auditor's Results	Sharing all of the state of the
Financial Statements		
Type of auditors' repo	ort issued:	Unqualified
Internal control over f Material weakness		No
Significant deficie	encies identified that are not considered to be material weaknesses?	None Reported
Noncompliance mater	rial to financial statements noted?	No
Federal Awards		
Internal control over n Material weakness		No
Significant deficie	encies identified that are not considered to be material weaknesses?	None
An unqualified opinio	n was issued on the compliance report for major programs.	Reported
	sclosed that are required to be reported th section 510(a) of Circular A-133?	No
Identification of major	r programs:	
CFDA Number(s)	Name of Federal Program or Cluster	_
93.959 93.958	Block Grants for Prevention and Treatment of Substance Abuse Block Grants for Community Mental Health Services	
Dollar threshold used	to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as lo	ow-risk auditee?	Yes
	Section II - Financial Statement Findings	
No matters were repor	ted.	

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

	 	Deve	lopmental Dis	abi	lities Division
Year ended September 30, 2007	Budget		Actual		Variance Positive (Negative)
Expenses					
Assessment and evaluation	\$ 374,928	\$	382,904	\$	(7,976)
Clubhouse program	20,270		4,994		15,276
Community living supports	82,370		65,671		16,699
Day Programs	382,892		382,892		-
Electroconvulsive therapy	17,304		28,137		(10,833)
Enhanced health care	1,473,967		1,050,547		423,420
Home leases	211,166		206,789		4,377
Housing assistance	1,441,367		1,419,923		21,444
Innovation plans	50,000		-		50,000
Integrated employment	1,521,258		1,493,622		27,636
Other skill building	5,662,693		5,992,615		(329,922)
Out of county	348,861		330,139		18,722
Personal assistance	545,467		176,704		368,763
Pre-admission screening and annual resident					:
review (PASARR)	160,729		163,157		(2,428)
Prevention	40,225		24,130		16,095
Respite care	394,275		285,655		108,620
Self-determination	829,814		585,286		244,528
Specialized residential	24,075,380		25,313,354		(1,237,974)
State inpatient services	739,978		496,708		243,270
Support service coordination	3,866,283		3,608,042		258,241
	\$ 42,239,227	\$	42,011,269	\$	227,958

	 	Adul	ts with Menta	l Illı	ness Division
Year ended September 30, 2007	 Budget		Actual		Variance Positive (Negative)
Expenses					
Assertive community treatment	\$ 2,172,795	\$	2,098,218	\$	74,577
Assessment and evaluation	123,200		72,302		50,898
Case management	5,817,104		5,077,345		739,759
Clubhouse program	654,425		702,990		(48,565)
Community Living Supports	449,454		465,960		(16,506)
Electroconvulsive therapy	35,000		43,301		(8,301)
Emergency services	891,560		855,264		36,296
Enhanced health care	1,004,576		954,323		50,253
Housing assistance	120,000		122,967		(2,967)
Innovation plans	60,316		99,086		(38,770)
Integrated employment	776,421		811,579		(35,158)
Local inpatient service	7,946,882		7,508,306		438,576
Medication	948,850		468,172		480,678
Mental health clinic	742,600		731,182		11,418
Michigan rehab services	83,300		83,300		-
Out of county	363,850		381,757		(17,907)
Outpatient services	454,800		71,663		383,137
Partial hospitalization	248,300		353,763		(105,463)
Peer operated support services	551,222		509,107		42,115
Pre-admission screening and annual resident					
review (PASARR)	452,250		394,430		57,820
Self-determination	28,840		17,154		11,686
Specialized residential	9,238,395		8,924,803		313,592
State inpatient services	2,448,456		2,170,758		277,698
Support service coordination	560 <u>,48</u> 6		520,181		40,305
	\$ 36,173,082	\$	33,437,911	\$	2,735,171

	 Substan	ce U	se Disorder D	Disorder Division			
Year ended September 30, 2007	Budget				Variance Positive (Negative)		
Expenses							
Care coordination	\$ 447,102	\$	433,074	\$	14,028		
Family skills development	439,400		372,944		66,456		
HIV/AIDS training	116,392		53,454		62,938		
Housing assistance	136,950		215,816		(78,866)		
Innovation plans	10,000		29,359		(19,359)		
Liquor tax	46,000		46,000		-		
Medications	-		2,124		(2,124)		
Methadone	498,333		630,955		(132,622)		
Outpatient services	1,446,560		1,458,783		(12,223)		
Prevention	807,341		844,957		(37,616)		
Public inebriate shelter	15,000		13,750		1,250		
Quality assurance assessment program	93,170		93,660		(490)		
Sober living unit	197,760		197,940		(180)		
Specialized residential	2,135,500		2,262,636		(127,136)		
State disability assistance	152,904		158,778		(5,874)		
Sub acute detox	355,250		403,722		(48,472)		
Administrative/access center	 1,964,982		1,913,900		51,082		
	\$ 8,862,644	\$	9,131,852	\$	(269,208)		

			Chi	ldren and Fan	nilie	ies Division		
Year ended September 30, 2007		Budget		Actual		Variance Positive (Negative)		
Expenses								
Assessment and evaluation	\$	18,160	\$	55,012	\$	(36,852)		
Case management		1,986,990		1,887,105		99,885		
Family skill development		621,222		494,102		127,120		
Home based		578,654		404,733		173,921		
Innovation plans		-		11,173		(11,173)		
Local inpatient service		770,355		634,333		136,022		
Medications		15,169		61,460		(46,291)		
Mental health clinic		461,538		376,894		84,644		
Out of county		3,165		23,557		(20,392)		
Outpatient services		289,285		165,623		123,662		
Partial hospitalization		75,682		67,771		7,911		
Prevention		1,570,644		1,443,380		127,264		
Respite care		342,286		267,087		75,199		
Specialized residential		1,023,935		1,226,270		(202,335)		
State inpatient services		89,805		105,652		(15,847)		
Juvenile justice allocation		66,700		66,700				
	. \$	7,913,590	\$	7,290,852	\$	622,738		

	 A	ccess Center				
Year ended September 30, 2007 Expenses Contractual services Depreciation Fringe benefits Insurance Janitorial service Medications Memberships and subscriptions Office equipment and furniture Office supplies Postage Rent Repairs and maintenance	Budget Actual					
Expenses						
-	\$ 367,291 \$	371,761 \$	(4,470)			
Depreciation	118,050	110,783	7,267			
•	819,260	870,584	(51,324)			
•	22,450	23,258	(808)			
Janitorial service	27,095	27,190	(95)			
Medications	258,000	124,278	133,722			
Memberships and subscriptions	1,000	820	180			
• •	3,554	8,487	(4,933)			
	22,450	21,924	526			
••	3,500	593	2,907			
Rent	10,100	8,540	1,560			
Repairs and maintenance	28,050	31,800	(3,750)			
Salaries and wages	2,681,800	2,825,822	(144,022)			
Security	122,560	120,720	1,840			
Telephone and internet	32,100	14,171	17,929			
Training	29,750	23,406	6,344			
Transportation services	91,000	122,653	(31,653)			
Travel	5,000	7,311	(2,311)			
Utilities	46,200	59,927	(13,727)			
Miscellaneous	2,150	2,430	(280)			
Juvenile justice allocation	(66,700)	(66,700)	-			
Substance use disorder division allocation	 (1,281,280)	(978,948)	(302,332)			
	\$ 3,343,380 \$	3,730,810 \$	(387,430)			

]	Training				
Year ended September 30, 2007 Expenses Contractual services Fringe benefits Janitorial service Memberships and subscriptions Office equipment and furniture Office and educational supplies Postage Rent	Budget		Actual	Variance Positive (Negative)			
Expenses							
	\$ 2,750	\$	1,919 \$	831			
Fringe benefits	33,500		39,553	(6,053)			
Janitorial service	3,460		3,282	178			
Memberships and subscriptions	250		75	175			
• •	1,192		616	576			
• •	7,500		6,503	997			
• •	1,200		1,230	(30)			
•	4,600		4,310	290			
Repairs and maintenance	4,475		5,315	(840)			
Salaries and wages	150,400		157,897	(7,497)			
Telephone and internet	1,500		1,603	(103)			
Training	1,500		900	600			
Travel	2,000		987	1,013			
Utilities	14,600		11,263	3,337			
Substance use disorder division allocation			(18,552)	18,552			
	\$ 228,927	\$	216,901 \$	12,026			

			Administration					
Year ended September 30, 2007		Budget	Actual	Actual				
						(Negative)		
Expenses								
Audit	\$	20,200	\$	20,100	\$	100		
Community promotion		78,750		142,694		(63,944)		
Contractual services		778,351		561,223		217,128		
Depreciation	٠.	86,650		83,814		2,836		
Fringe benefits		996,686		1,084,023		(87,337)		
Insurance		32,850		30,951		1,899		
Janitorial service		14,992		14,223		769		
Legal		120,000		123,365		(3,365)		
Management information systems projects		110,100		88,354		21,746		
Memberships and subscriptions		51,250		46,698		4,552		
Office equipment and furniture		99,950		81,798		18,152		
Office supplies		31,500		35,533		(4,033)		
Postage		12,000		16,036		(4,036)		
Rent		21,300		18,370		2,930		
Repairs and maintenance		30,675		26,967		3,708		
Salaries and wages		3,305,000		3,295,730		9,270		
Telephone and internet		62,611		81,387		(18,776)		
Training		85,650		78,624		7,026		
Travel		26,500		32,554		(6,054)		
Utilities		63,200		48,603		14,597		
Miscellaneous	÷	11,503		37,222		(25,719)		
Substance use disorder division allocation		(683,702)		(916,400)		232,698		
	\$	5,356,016	\$	5,031,869	\$	324,147		

Summary of Budgeted, Reported and Audited Amounts -Substance Abuse Coordinating Agency Schedule A

For the year ended September 30, 2007		Budgeted		Reported		Audited		Variance		Local Mate
Fund Source		(FINAL)	((FINAL RER)		Expenditures	(Audit	ed-Reported)		Fund
A State Agreement										
1 Community Grant	\$ 3,	423,513	\$	3,423,513	\$	3,423,513	\$	•	\$	
2 SDA		206,258		180,468		180,468		-		
3 SIG		96,850		59,609		59,609		-		
4 Methamphetamine		24,000		24,000		24,000		-	_	
A Subtotal	3,	750,621		3,687,590		3,687,590		-		
B Medicaid										
1 Current Year PEPM	1,	552,830		1,796,219		1,796,219		-		
2 Reinvestment Savings				-		•			_	
B Subtotal	l,	552,830		1,796,219		1,796,219		-	_	
C Adult Benefit Waiver (ABW)								_	_	
I Current Year PEPM		96,000		91,146		91,146				
2 Savings		•							_	
C Subtotal		96,000		91,146		91,146		-		
D MI CHILD								_	•	
1 Current Year PEPM		7,000		1,079		1,079		-		
2 Savings		<u> </u>		•				_	_	
D Subtotal		7,000	_	1,079		1,079				
E Local										
1 Current Year PA2	1,	459,130		1,799,643		1,799,643				1,799,643
2 PA2 Fund Balance		-		-		-				
3 Other Local (R325.4152 excluding subsection (1)(b))	1,	385,103		1,756,175		1,756,175		<u> </u>		1,756,175
E Subtotal	2,	844,233		3,555,818		3,555,818		· <u>-</u>		
F Fees and Collections - Subtotal (R325.4151 (1)(d))		30,700		13,590				13,590 (1)		
G Other Contracts & Sources (Subtotal)	_			<u> </u>		-				
Grand Total of Subtotals A-G	\$ 8,	281,384	\$	9,145,442	s	9,131,852	\$	13,590		
Amount Billable to MDCH (Section A audited subtotal) Total MDCH Payments					s	3,687,590 3,750,621				
(Overpayment)/Underpayment					s	(63,031)				
Local Match Funds Total Local Match Requirement [(Grand Total of Audited Expe	enditure	es-B-C-D-	G) *	10%]					\$	3,555,818 724,341
Local Match (Shortfall)/Excess			_						_	2,831,477

Variance Footnotes

⁽¹⁾ Fees and collections, reported to the Authority by contract agencies, that are not in the Authority's general ledger balances.

For the year ended September 30, 2007				Audited	Expend		
	Budgeted	Reported	Gross	I	æss	Less	Net
Program	 (FINAL)	(FINAL RER)	Amount	Medic	Medicaid		Amount
Administration	\$ 601,220	\$ 1,811,054	\$ 1,811,054	\$ 406,0	30 \$	-	\$ 1,405,024
Prevention	757,159	854,561	854,561		-		854,561
Treatment	6,260,574	5,775,102	5,761,512	1,288,7	87	-	4,472,725
Women's Services	280,000	264,917	264,917	101,4	02	-	163,515
Communicable Diseases	116,392	73,818	73,818		-	-	73,818
SPF/SIG	96,850	59,609	59,609		-	-	59,609
Methamphetamine	24,000	24,000	24,000		-	-	24,000
Other (ABW, MIChild)	145,189	282,381	282,381		-	<u>.</u>	282,381
Totals	\$ 8,281,384	\$ 9,145,442	\$ 9,131,852	\$ 1,796,2	19 \$	-	\$ 7,335,633

Reconciliation of PA2 Funds

Ending Balance	\$ 3	322,738
		,
Expenditures	(1,3	799,643)
Current year PA2	1,5	67,619
Beginning balance	\$:	554,762

Schedule of Expenses and Funding by Program -Substance Abuse Coordinating Agency Schedule B

			_	_	Au	dited Fund	ing S		_					ariance	_	Cost
	State	CD 4		DAT		Other		Other	ADW	Total		•	Audited-	(Ex	penditures-	
	greement	SDA		PA2		Local		Sources	ABW	_	MI CHILD	Funding		eported)		Funding)
\$	319,000	\$ -	\$	-	\$	1,086,024	\$		\$ -	\$	-	\$ 1,405,024	\$	-	\$	-
	757,159	-		89,077		8,325		-	-		-	854,561		-		-
1	,916,075	180,468		1,710,566		665,616		-	-		-	4,472,725		13,590		-
	167,305	-		-		(3,790)		-	-			163,515		-		-
	73,818	-		-		-		-	-		-	73,818		-		
	59,609	-		-		-		-	-		-	59,609		-		
	24,000	-				-		-	-		-	24,000		-		-
	190,156			_		_			91,146		1,079	282,381	_			
\$ 3	,507,122	\$ 180,468	\$	1,799,643	\$ 1	1,7 <u>56,175</u>	\$		\$ 91,146	\$	1,079	\$_7,335,633	\$	13,590	\$	-

\$ 3,687,590

Reconciliation of Medicaid Managed Care (PEPM) Funds

Returned to PIHP	\$ (204,537)
Medicaid savings carryforward	-
Expenditures	(1,796,219)
Medicaid savings carried over	30,684
PEPM payments received	\$ 1,560,998



BDO Seidman, LLPAccountants and Consultants

99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone. (616) 774-7000 Fax: (616) 776-3680

February 25, 2008

Members of the Finance Committee Kent County CMH Authority Grand Rapids, Michigan

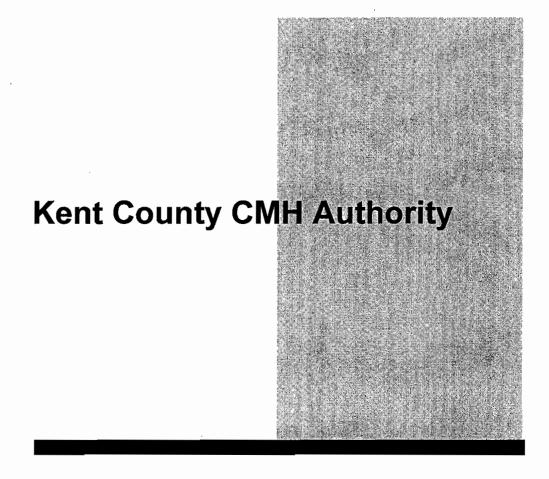
Dear Members:

We have audited the financial statements of the Kent County CMH Authority (Authority) for the year ended September 30, 2007, and have issued our report thereon dated February 25, 2008. Under auditing standards generally accepted in the United States of America, we are providing you with the attached information related to the conduct of our audit.

This information is intended solely for the use of the Finance Committee and management of the Authority and should not be used for any other purpose.

Very truly yours,

BDD Seidman, LLP



Report to the Finance Committee
Year Ended September 30, 2007

Report to the Finance Committee

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 28, 2007, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with auditing standards generally accepted in the United States of America does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected.

As part of our audit, we considered the internal controls of the Authority. Such considerations were for the purpose of determining our audit procedures and to report on the internal controls in accordance with *Government Auditing Standards*, and not to provide any assurance concerning such internal controls. The scope of the work performed in connection with our audit of the Authority's financial statements was substantially the same as that described during our earlier audit planning meeting with management.

Our Responsibility for Other Information in Documents Containing Audited Financial Statements

Under professional standards, the auditor's responsibility for other information in documents containing the Authority's audited financial statements (e.g., Management's Discussion and Analysis) does not extend beyond the financial information identified in the financial statements, and the auditor is not required to perform procedures to corroborate such other information. However, in accordance with such standards, we have read the information in the Authority's financial statements and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. No such inconsistencies or misstatements came to our attention.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in the notes to the financial statements. We noted no transactions entered into by the Authority during the year that were both significant and unusual,

Report to the Finance Committee

and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Management Judgments

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We have made tests of management's estimates and deemed them to be appropriate.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. This definition includes adjustments that were not recorded by the Authority because they are not material to the current financial statements but might be potentially material to future financial statements.

We proposed one audit adjustment to increase payables and program expenses by approximately \$313,000 to recognize under accrued accounts payable to vendors for claims received after year-end. Management determined, and we concurred, that this adjustment was not material to the financial statements and, since year-end reports were filed with the State, management elected to not reflect the proposed adjustment in the financial statements as of and for the year ended September 30, 2007.

Discussion About the Quality of Accounting Principles Applied in Financial Reporting

To be discussed during the meeting.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Report to the Finance Committee

Consultation With Other Accountants

There may be circumstances where the Authority considers consulting with other accountants about accounting and auditing matters. We are not aware of any situation where this occurred during the period.

Major Issues Discussed With Management Prior to Our Retention

Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.

Alternative Accounting Treatments Discussed With Management

During the past fiscal year, there were no significant transactions that required a discussion with management as to alternative accounting treatments.

Difficulties Encountered in Performing the Audit

We are pleased to inform you that there were no significant delays encountered during the course of the audit. All records and information requested by BDO Seidman were freely available for inspection. Management and other personnel provided full cooperation.

Independence

We are not aware of any relationships between BDO Seidman, LLP and Kent County CMH Authority that, in our professional judgment, may reasonably be thought to bear on our independence.